

## **ILLITERATES – YET INCREASE IN THE AWARENESS LEVELS AMONG VILLAGERS - IN RURAL INDIA - IMPACT OF NO-FRILL ACCOUNTS – PART OF FINANCIAL INCLUSION**

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### **ABSTRACT**

The concept of Financial Inclusion (FI) was developed at global level to facilitate hitherto excluded sections of the society accessing the various financial services which their counterparts in urban and other developed areas are privileged for. As a step towards achieving the total FI, the policy makers realized that helping these excluded sections having a basic savings bank account in a formal bank is the most fundamental requirement that will enable them gain access to the utmost essential financial services such as depositing, withdrawing, fund transferring, receiving old age benefits, government subsidies and so on.

Under the above background even in India, like in many other countries, the Central Bank has taken the initiative and made it mandatory for all the banks to visit villages and help the villagers to open a savings bank (SB) account. As per the directives of the Central Bank, in all the districts the commercial banks have distributed the villages among themselves and taken the first step of visiting the villages through Business Correspondents (BC) and helping the villagers open the no-frill accounts.

The first phase of the study<sup>(2,3)</sup> conducted a year back for the same purpose, by the same author along with her colleague, revealed that under the feeling of familiarity with BC, who lives in the village and with his motivation, the villagers took interest in responding to opening the no-frill accounts. The required awareness that these accounts creation is the initiative of the government to transfer either the financial assistance or other benefits of economic development directly to the citizens through these accounts was lacking among the villagers.

To review the change in the perceptions of the beneficiaries in villages over a year period, a similar survey was undertaken with wider scope and increased samples as part of the II phase of the study. Thus the II phase of research is aimed at analyzing the impact of these massive efforts of financial inclusion on the lives of the villagers to bring to light the progress made and the milestones yet to be achieved.

To achieve the above objective, two commercial banks i.e. Syndicate Bank (SB) and State Bank of India (SBI), in the district of Anantapur, Andhra Pradesh, India, are selected. From the villages falling under the jurisdiction of these two banks, 250 beneficiaries each, are chosen on the basis of systematic random sampling. Using a seven parameter related; and a pre-tested questionnaire, the perceptions of the beneficiaries are collected for further analysis. Out of the seven parameters, three parameters are chosen for analysis which constitute the basis for the present research paper. Applying Kurskal-Wallis Test (H-Statistic) and Mann-Witney Test (U-Statistic), the responses were analyzed and interpreted. The conclusions thus drawn are voiced in this paper for additional decision-making by the policy makers.

The study reveals that there is increase in the awareness level of the villagers regarding the purpose for which no-frills accounts are opened, the method of operating the accounts, zeal to increase the savings and deposit in their accounts. The awareness about their right for accessing all the financial services available to their counterparts in urban areas is making them demand from the government the provision of the same in their villages. Further, the villagers who accepted in our earlier research that they opened the no-frill accounts in their villages because BC, who is born and brought up in their village, advised them to do so, now developed total understanding that the village BC is only the representative of the bank and that even if BC were to move away with their deposits, they can recover the same from their home branch by using the receipts they receive from their no-frill accounts as proofs.

The study also highlighted that those customers in the villages who are literates; and educated at least up to the X<sup>th</sup> standard, are able to exercise logical reasoning while opening the no-frill accounts. They are fully aware of the purpose for which the accounts are opened and hence are working for maintaining the account without letting accounts die with no money. Those who are educated are able to tap the inner entrepreneurial abilities for gaining better income at least through self-employment. Literates and educated face no problems in authenticating their transactions with their signatures with the understanding ability which gets awakened with increase in the literacy levels and education, the customers are able to solve any problems they encounter in the process of opening the no-frill accounts.

**KEYWORDS:** Parameter, Financial Inclusion, Business Correspondent, Percolation, No-Frill Account

## INTRODUCTION

The concept of Financial Inclusion (FI) was developed at global level to facilitate hitherto excluded sections of the society accessing the various financial services which their counterparts in urban and other developed areas are privileged for. As a step towards achieving the total FI, the concept developers and the policy makers realized that helping these excluded sections having a basic savings bank account in a formal bank is the most fundamental requirement that will enable them gain access to the utmost essential financial services such as depositing, withdrawing, fund transferring, receiving old age benefits, government subsidies and so on. There are over one billion people in emerging markets today who don't have a bank account but do have a mobile phone.

The fundamental instrument that creates access to all financial services is the possession of a bank account. There are millions of people in rural villages in India who not only do not have savings bank account (SB account) but cannot do so because after opening the account in the nearby bank the operation of the same would involve loss of one day wage, strain of travel and the fear of standing in long queues for a simple transaction like either depositing or withdrawing. Added to this many times when the villagers visit the bank mentally preparing to take all this trouble, they will further be disappointed on getting to know that the bank is on a holiday. This would result in a further loss of a second working day. Ultimately each visit to bank by these villagers proves to be very expensive in terms of travel, loss of one or two working days and the strain at the bank.

Under the above background even in India, like in many other countries, the Central Bank has taken the initiative and made it mandatory for all the banks to visit villages and help the villagers to open a savings bank account. As per the directives of the Central Bank, in many districts all the commercial banks and some of the private banks have distributed the villages between themselves and taken the first step of visiting the villages through Business Correspondents (BC) and helping the villagers open the no-frill account. The first phase of the study conducted six months back for the same

purpose, revealed that under the motivation of the BC, the villagers took interest in responding to opening the no-frill SB account. The required awareness that these accounts creation is the initiative of the government to transfer either financial assistance or the benefits of economic development, directly to rural citizens through these accounts was lacking among the villagers. Upon questioning as to why did they open the SB account which they are not going to operate regularly, the answer was that the BC, as one among them in the village advised them to do so and they meticulously followed. As part of the second phase of the same study, the present efforts aim at analyzing the impact of this massive efforts pertaining to financial inclusion in bank less villages, in order to highlight the progress made and the milestones yet to be achieved.

## REVIEW OF LITERATURE

Eko India Financial Services Pvt. Ltd (Eko)<sup>1</sup>, a Delhi, India, based financial services company was founded to serve the section of the population which was financially excluded. The company believed that a basic saving account is important for financial inclusion. Eko realized that people from financially excluded communities owned mobile phones and the mobile penetration in India was rising rapidly. The company decided to develop its product based on mobile phone. It chose to use mobile phones as the mode of communication between banks and the end users. Eko developed a platform called Simplibank. It entered into a tie-up with erstwhile Centurion Bank of Punjab to provide no frills accounts to financially excluded people.

Eko used neighborhood grocery and pharmacy stores as Customer Service Points (CSP). Under this model, any person could approach a CSP to open a savings bank account. The Know Your Customers (KYC) norms for those taking no frills accounts were relaxed so that more people could be included into the financial system. CSP would send the new account details to Eko through his mobile phone and the account would get operable in ten minutes. The account holder would be given material with instructions and password to operate the account. Account holders could deposit, withdraw, and transfer to others' no frills account opened through Eko at CSP. The mobile number and password acted as authentication for transactions.

An impact study was conducted by Dr. Challa Radhakumari and Dr. Geetha Bala<sup>2</sup>, taking the sample customers coming under the State Bank of India, which is the lead bank in initiating and implementing the scheme. The primary data obtained from a sample of 60 users and non-users, was classified and analyzed and tested for the dependency of various factors using one of the popular non-parametric statistical techniques, the Chi-square test. The results were then interpreted and the conclusions were drawn.

The study highlighted that implementation of the policy towards achieving the cent percent Financial Inclusion is proceeding in the required direction as laid down by the policy makers /RBI. In general the villagers expressed tremendous fulfillment over the governmental efforts for taking the banking and other financial services to their villages for bettering their lives. The customers also expressed total satisfaction over employing one among them as the Business Correspondent for operating the CSPs.

The same study further reiterated that many villagers are responding to the banking services offered in their villages due to their trust and faith in the BCs rather than based on their awareness about what is being done by the banks. This necessitates more efforts on the part of the banks in making frequent visits to the CSPs and assuring the villagers that the CSPs are part and parcel of their overall banking business. Finally the villagers desired for conversion of the CSPs into mini banks for getting all the banking products and services to the villages itself

A second similar study was conducted by the same authors<sup>3</sup> for comparing the impact of the efforts for 100% financial inclusion from 60 users and non-users of the same bank (SBI) in one village in Anantapur district with another village under same bank in Karnataka. The second study too highlighted that the implementation of the policy of FI is proceeding in the required direction as laid down by the policy makers. As per the study, the users expressed tremendous fulfillment over the efforts of the government for taking the banking services to their villages. The study further underlined that though both banks adopt two different techniques in both the States, as “Kiosk Banking” in Andhra Pradesh and “Mobile Banking” in Karnataka for implementing the FI, they are progressing towards achieving the same objective of contributing to 100% financial inclusion.

In another study by Mrs. J. Arputhamani and Dr. (Mrs.) K. Prasannakumari<sup>4</sup> it was emphasized that *Financial Inclusion is a key factor in shaping the growth process of the economy and that in India, Micro Finance has emerged as a powerful tool for financial inclusion, which links low income groups with banks. Micro Finance is dominated by the Self Help Groups. So SHGs are playing a very important role in the process of financial inclusion. Motivation to save is the first and foremost reason for opening an account. All the beneficiaries of micro finance accept that they have gained greater economic and social security due to the access to micro finance services. Though financial inclusion has become the buzzword in present day financial circles, there are miles to go, before it becomes a reality among the rural population.*

State Bank of India has been assigned the job of ensuring 100% financial inclusion in the state of Madhya Pradesh and Chhattisgarh. State Bank of India has joined hands with “All India Society for Electronics and Computer Technology (AISECT)<sup>5</sup> Bhopal, by appointing them as their Business Correspondent and Business facilitator for the state of Madhya Pradesh & Chhattisgarh. Under AISECT Financial Inclusion Model for rural India, AISECT, which has partnered with the Government of India, for setting up 2926 Common Service Centers (CSCs) in M.P, 1487 in Chhattisgarh and 585 in Punjab, currently works as a Business Correspondent (BC) as well as a Business Facilitator (BF) for SBI in the CSC districts but is fast expanding across its widespread network of IT training and services centers. Under the Financial Inclusion Scheme, AISECT is extending hassle-free savings, loan facilities and other banking services at an affordable cost to the under privileged and unbanked population. Services offered by the company as an SBI BF include New Account Opening, Loan for House Repairing, Loan for Self Employment, Loan for Dairy Units, Loan for 2/4 Wheeler, Deposit in NHC and Kisan Credit Card. Services delivered by Centers acting as BCs include account opening in CSC Kiosk, Deposit/Withdrawal in Account and Micro Finance. AISECT have 2926 CSCs in Madhya Pradesh, 1487 in Chhattisgarh and 585 in Punjab. If these CSCs are converted into Banking Kiosk as per Government new guidelines, they will have around 5,000 Banking Kiosks. The villages having population of less than 1,000 are being brought in the preview of financial Inclusion and this step, as per the AISECT, will further enhance the prospects of 100% Financial Inclusion. Sri Subah Singh Yadav<sup>6</sup> has further highlighted that Financial Inclusion which flashed on the horizon of banking industry in the wake of inclusive growth policies, has after crossing the crucial tides of time, come to stay to some extent in a comparatively less developed State of Rajasthan. The state has been a frontier, if not pioneer, in searching for an alternate credit delivery mechanism through Self Help Groups, as per the study. Its Ajmer model has been one of the most popular and illustrative device of reaching out to the poor. Financial inclusion is not an end in itself as most of the people having a bank account or an insurance coverage, ipso facto, does not mean an enhancement in their economic position, but it should help, in some way, the process of economic development in the distribution of existing income pattern, reiterates the study, through its pilot project on financial inclusion in Rajsamand district of Rajasthan.

The Financial Action Task Force (FATF)<sup>7</sup> is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering and terrorist financing. According to this body the promotion of well regulated financial systems and services is central to any effective and comprehensive Anti-money laundering AML/CFT regime. However, applying an overly cautious approach to AML/CFT safeguards can have the unintended consequence of excluding legitimate businesses and consumers from the financial system. The FATF has therefore prepared a Guidance paper to provide support to countries and their financial institutions in designing AML/CFT measures that meet the national goal of financial inclusion, without compromising the measures that exist for the purpose of combating crime. The main aims of the document are to develop a common understanding of the FATF Standards that are relevant when promoting financial inclusion and to lay out the flexibility that the Standards offer, in particular regarding the risk-based approach (RBA), thus enabling jurisdictions to craft effective and appropriate controls. The guidance paper has been developed within the framework of the 2003 version of the FATF Standards. It is non-binding and does not override the measures applied by national authorities. There are many reasons (unrelated to AML/CFT measures) why financially excluded and underserved groups may not be able to take advantage of mainstream financial service providers.

This guidance paper focuses on ensuring that AML/CFT controls do not inhibit access to well regulated financial services for financially excluded and underserved groups, including low income, rural sector and undocumented groups. It extensively explores the initiatives to address financial inclusion within the AML/CFT context taken in developing countries, since this is where the challenge is the greatest, but it also considers examples of action taken in developed countries also. The Guidance is based on the important assumption that financially excluded and underserved groups, in both developing and developed countries should not be *automatically* classified as presenting a lower risk for ML/TF, but could be lower risk depending on the various risk factors. The Guidance reviews the different steps of the AML/CFT process (Customer Due Diligence, record-keeping requirements, reporting of suspicious transactions, use of agents, internal controls), and for each of them presents how the Standards can be read and interpreted to support financial inclusion.

As an addition to few of the above mentioned works, many other unnamed works of similar kind are already into the field of assessing the impact of efforts towards Financial Inclusion in villages. The present study too aims at assessing the progress of the efforts being made towards achieving the 100% financial inclusion in rural areas by undertaking a study at the district level in Andhra Pradesh.

### **Statement of the Problem**

On September 28, 2010, Reserve Bank of India (RBI), as part of its Financial Inclusion mandate, announced in the Annual Policy Statement for the year 2010-11, that it has decided to permit banks to engage companies registered under the Indian Companies Act, 1956, excluding Non Banking Financial Companies (NBFCs), as Business Correspondents (BCs) in addition to the individuals/entities permitted earlier, subject to compliance with its existing guidelines for engaging BCs. Further, the RBI has allowed banks to engage with the CSC Operators/VLEs as BCs.

Further, on February 15th 2011, Mrs. Sonia Gandhi while launching the Swabhiman Scheme in New Delhi, set the initial target of getting 5 crore no-frill accounts opened by Mar 2012 with the aim of making banking facilities available to all citizens in villages with less than 2000 population and where there are no formal bank branches. It is also proposed in the scheme that the government will ensure loans and other credit facilities for farmers and villagers at

subsidized rates. Thus, financial inclusion has become mandate for all banks, with lucid targets created as part of their Financial Inclusion Plan that have been approved by RBI. As a result, the Banks have signed BC agreements with various telecom providers (Airtel, Vodafone, etc) and technology solutions providers (Tata Consultancy Services, Oxigen, Subk etc) and financial payment systems (A Little World-ALW, Eko, FINO, etc) to deliver financial services.

Further, SCAs in a number of States around the Country have taken the initiative to become BCs, enabling CSCs to become customer service points that deliver various banking and financial services. Further, in some cases, the SDAs are proactively supporting these initiatives, thereby increasing the sustainability of these initiatives. Thus it is believed that the CSCs under BC model can become effective vehicles to deliver financial services to rural India enabling banks to meet their financial inclusion mandates. The district of Anantapur in the State of Andhra Pradesh, India, is one of the earliest areas where the efforts for achieving cent percent financial inclusion were initiated by all the commercial banks following the guidelines of the Reserve Bank of India. In this direction commercial banks following diverse technology platforms; and varied functioning models. At this juncture it is necessary to look into the degree of progress made in the direction required through the collection of feedback from target beneficiaries. The present paper represents an attempt in this direction.

#### **Objectives of the Study: The Present Study is Undertaken with the Following Objectives**

- To understand whether there is any significant influence of education on the reasons for opening the no-frill account, daily income, age of the customers and their ability to put signature, the problems faced by them while opening the no-frill accounts, and the nature of occupation,
- To analyse how the reasons for opening the no-frill account are influenced by different age group of the customers,
- To judge whether the problems faced by the customers while opening the no-frill accounts has anything to do with the period for which the account is maintained,
- To draw attention to the connection between various reasons for opening the account and the period for which the account is opened,
- To bring to light if the age of the customers has any influence on the period for which the account is opened;
- To also identify whether there is any relation between savings pertaining to the period prior to opening the no-frill account and the general saving habit,
- To know finally, whether the zeal developed to save money on account of the availability of banking facility in the village has contributed to increase in savings.

#### **METHODOLOGY AND DATA SOURCES**

Aiming at assessing the impact of the efforts of the banks towards financial inclusion on the growth parameters of the rural beneficiaries, the Anantapur district from the State of Andhra Pradesh in India was selected for the study. The villages under the jurisdiction of two commercial banks i.e. Syndicate Bank and State Bank of India, from the district are chosen for the study on systematic random sampling basis. From the villages thus identified a sample of two hundred and fifty respondents each, was selected. The required information was gathered from the selected respondents using the pre-

tested questionnaire. The questionnaire was framed for collection of information pertaining to seven parameters consisting of (1) General profile, (2) Account opening and operating details, (3) Savings management factors, (4) Awareness about the financial services at the BC point, (5) Credit management details, (6) Economic benefits of having access to various financial services at the BC point, and finally the (7) General information covering two aspects. The first being related to the attitude and capacity of the beneficiaries in sharing the information with co-villagers and motivating them to make use of the services offered; secondly seeking suggestions from the beneficiaries for improving the existing functioning of the scheme for financial inclusion. The information thus gathered from the respondents constitutes the basis for the current research paper.

### **Statistical Tools Used**

In order to scientifically assess the impact of the efforts towards financial inclusion, the data collected is being used in a phased manner for application of statistical tools. In the first phase in order to understand whether there is any significant difference between the chosen factors relating to both the banks, two non-parametric tests i.e. Kruskal-Wallis Test (KWT or H test) and Mann-Whitney test (U test) are selected. Using KWT for all cross tables with more than two factors and Mann-Whitney test (U test) for tables with two variables, the analysis was made and the inferences were drawn, based on which the recommendations were given in the present research paper. The final conclusions drawn based on the U test which will be a post hoc test for KWT, will constitute the statistical analysis for the second research paper.

### **Kruskal-Wallis Test (KWT) and Mann-Whitney (U) Test**

The Kruskal-Wallis test evaluates whether the population medians on a dependent variable are the same across all levels of a factor. To conduct the Kruskal-Wallis (H) test, using the  $K$  independent sample procedure in SPSS package, cases must have scores on an independent or grouping factor and on a dependent factor. The independent or grouping factor divides individuals into two or more groups, and the dependent factor assesses individuals on at least an ordinal scale. If the independent factor has only two levels, no additional significance tests need to be conducted beyond the Kruskal-Wallis test. However, if a factor has more than two levels and the overall test is significant, follow-up tests are usually conducted. These follow-up tests most frequently involve comparisons between pairs of group medians.

For Kruskal-Wallis test, the Mann-Whitney (U) test is used to identify unique pairs. With the Kruskal-Wallis test, normally a chi-square statistic is used to evaluate the differences in median ranks to assess the null hypothesis that the medians are equal across the groups. In our study the application of H and U tests are based on the following significance level, rejection region and hypotheses:

KWT: Significance level:  $\alpha = 0.05$ ; Rejection region: Reject the null hypothesis if  $p\text{-value} \leq 0.05$ .

### **Hypotheses for KWT**

The analysis and inferences of the study are based on the following hypotheses:

Assumptions:

- The samples were taken randomly and independently of each other.
- The populations have approximately the same shapes.
- **Ho:** The reasons for opening the no-frill accounts, daily income, nature of their occupation and the ability of the

customers to affix the signature, and the problems faced by them while opening the no-frill account, are independent of the level of their education.

- **H1:** The reasons for opening the no-frill accounts, daily income, nature of their occupation and the ability of the customers in affixing the signature, and the problems faced by them while opening the no-frill account are dependent on the level of education.
- **Ho:** The reasons for opening the account are independent of the age of customers.
- **H1:** The reasons for opening the account are dependent on the age of customers.
- **Ho:** The period for which the account is maintained is independent of the problems faced by the customers while opening the no-frill accounts.
- **H1:** The period for which the account is maintained is dependent on the problems faced by the customers while opening the no-frill accounts.
- **Ho:** Reasons for opening the account are independent of the period for which the account is opened.
- **H1:** Reasons for opening the account are dependent on the period for which the account is opened.
- **Ho:** The period for which the account is opened is independent of the age of the customers.
- **H1:** The period for which the account is opened is dependent on the age of the customers.
- **Ho:** The general saving habit of the customers is independent of the place where the deposits were maintained prior to opening the no-frill account.
- **H1:** The general saving habit of the customers is dependent on the place where the deposits were maintained prior to opening the no-frill account.
- **Ho:** The zeal to make savings is independent of the feeling of increase in savings due to the availability of banking facility in their village.
- **H1:** The zeal to make savings is dependent on the feeling of increase in savings due to the availability of banking facility in their village.

### **Outcome of the Study**

The result of the study has been presented in three segments. The first segment deals with highlighting the technology followed by both the banks for implementation of financial inclusion. Included in the second segment are the results of the statistical analysis and interpretations. The specific problems faced by the Business Correspondents (BCs) and the customers of the banking services in villages, are also brought to light in this segment. The third segment ends the paper with the critical success factors, recommendations and conclusions.

- **Technology Implementation:** State Bank of India and the Syndicate Bank which are selected for the study follow two different technologies for taking their financial services to the villages under their jurisdiction. State Bank of India follows Kiosk Banking Technique while the Syndicate Bank applies Mobile banking technology.
- **Kiosk- Banking Technology of SBI:** Kiosk-banking Technique is followed by the State Bank of India for taking

the banking facility to their allotted villages. SBI has selected one youth either male or female, presently living in the village, as the Business Correspondent (BC) for operating the Customer Service Point (CSP) on its behalf. Under this method, a kiosk with basic technical amenities such as a desktop, printer, copier and a scanner, is set up at the CSP. The kiosk is connected to the bank's main server and with internet connectivity the account of the customer is accessed and the deposits and withdrawals are made by the customers as per the limit prescribed by the bank. The bank has set a limit to the number of transactions that the BC can make on any one day and also on the amount of deposits and withdrawal the customers can make at the BC point. These limits set by the bank will safeguard the interests of not only the customers as well as the Business Correspondents besides the banks' own interest.

- **Mobile Banking Technology (MBT) of Syndicate Bank:** MBT is followed by the Syndicate bank for taking the financial services to the villages under their jurisdiction. The jobs relating to the installation of technology and overseeing the functioning of the technology operation, are outsourced to a private company by the Syndicate bank. The flexibility of mode of operation including the selection of BCs, establishment of network connectivity and so on totally rests with the private operator. The private operator selects the BCs and hands over a mobile handset with GPRS and Blue Tooth facility along with a small printing devise for printing the receipts of the customers.

### **Comparison of Both Technologies**

While each technique has its own merits and demerits, kiosk-banking, reflecting the direct supervision of the kiosk operations by the controlling bank reflects on the cost-cutting strategy of the controlling banks. Kiosk-banking prompts the BCs to adopt innovative methods for keeping the internet-connectivity on-going while this problem is taken care of by the service provider under mobile banking.

Statistical analysis and interpretations: the analysis of the results of the two statistical tests conducted for the present study along with its interpretation is presented below for each test individually:

### **Analysis and Interpretations: KWT**

For all the tables from 1 to 3 and table 5; and tables from 7 to 11(Annexure) since the calculated P value is  $< 0.05 = \alpha$ , we reject the null hypotheses. This implies that at the  $\alpha = 0.05$  level of significance, there exists enough evidence to conclude that there are differences among the various factors selected for the study, based on the test scores. Therefore, as our 'H' value exceeds the critical value; our result is significant at the 5% LOS, as the output above shows. The null hypothesis does not hold true; and therefore H1 is accepted for all the hypotheses.

As per the KWT, we cannot define this discovery in any more detail (i.e. which group with which other group is differing and so on). The Kruskal-Wallis test only tells us whether there is a statistically significant difference between the factors. To find out where the differences between the variables lie, we need to follow up Kruskal-Wallis test with post-hoc tests. We further need to inspect the group means or medians to decide precisely how they differ. We can do the same for Kruskal-Wallis test by a number of methods. For the present study we selected Mann-Whitney Test (U-test) for doing the post hoc analysis with the results of the KWT. Conducting the post hoc analysis for the results of KWT constitutes part of our second research paper. We end this research paper with the analysis based on the KWT results.

However in this particular case, the interpretation seems fairly straightforward. There is a significant difference in the attitudes of customers within the bank; and between the two banks.

### **Interpretation of the Results Based on the KWT**

- Those customers in the villages who are literates; and educated at least up to the Xth standard, are able to exercise logical reasoning while opening the no-frill accounts. They are fully aware of the purpose for which the accounts are opened and hence will work for maintaining the account without letting accounts die with no money. Those who are educated are able to tap the inner entrepreneurial abilities for gaining better income at least through self-employment. Literates and educated face no problems in authenticating their transactions with their signatures. With the understanding ability which gets awakened with increase in the literacy levels and education, the customers are able to solve any problems they encounter in the process of opening the no-frill accounts.
- The four categories of age groups also found to be playing a major role in reasoning out the causes for opening the no-frill accounts in the villages.
- The period for which the account is maintained is dependent on the problems faced by the customers' while opening the no-frill accounts.
- The period for which the accounts are maintained depends on the purpose for which the account is opened.
- The period for which the account is opened also dependents on the age group of the customers.
- The general saving habit of the customers dependents on the place where the deposits were maintained prior to opening the no-frill account in their own village.
- The zeal to make savings is dependent on the feeling of increase in savings due to the availability of banking facility in their village. In general, customers are seen developing a kind of motivation / zeal to make savings by working for it because the banking facility is available in the village itself. This was not the situation prior to opening the no-frill accounts, as they had to go long distances facing transportation and other problems to deposit even a small sum of money out of their daily earnings.
- Out of the four groups of age, which age group is playing major role for which reason, which period for maintaining the accounts has what influence on the purpose for which the accounts are opened, which age group of customers prefer which period for maintaining the accounts, and so on, will be revealed by the post hoc tests. The Mann-Whitney Test (U test) is used as a post hoc test for KWT. The analysis and interpretation of the same will be shown in the following research paper.

### **Analysis and Interpretation of the Results: Mann-Whitney Test (U Test)**

In statistics the Mann–Whitney *U* test (also called the Mann–Whitney–Wilcoxon (MWW), Wilcoxon rank-sum test, or Wilcoxon–Mann–Whitney test) is a non-parametric test of the null hypothesis that two populations are the same against an alternative hypothesis, especially that a particular population tends to have larger values than the other

The Mann-Whitney test statistic "U" reflects the difference between the two rank totals. The SMALLER it is (taking into account how many participants you have in each group) then the less likely it is to have occurred by chance. A table of critical values of U shows how likely it is to obtain a particular value of U purely by chance. Note that the

Mann-Whitney test is unusual in this respect, normally, the BIGGER the test statistic, the less likely it is to have occurred by chance. At the significance Level of  $\alpha = 0.05$ , reject the null hypothesis if  $p\text{-value} \leq 0.05$ .

In the present study, for tables 4 and 6 (Annexure), U test is applied to find the differences in median grades of the customers between the ability to affix signature and the level of education, in both the banks.

The hypotheses set for U test are:

- **Ho:** The Median of the customer ability to put signature is the same as the Median of their educational qualification.
- **H1:** The Median of the customer ability to put signature is not the same as the Median of their educational qualification.
- **Ho:** The Median of the customers facing problems while opening the no-frill accounts is same as the Median of the customers' period for maintaining the account.
- **H1:** The Median of the customers facing problems while opening the no-frill accounts is not the same as the Median of the customers' period for maintaining the account.
- **Analysis of the U Test Results**

As p-values are  $< 0.05 = \alpha$ , (Mann-Whitney U,  $Z = -8.689$  and  $-8.217 < P = 0.05$ ), we reject the null hypotheses for both the tables, and conclude that at  $\alpha=0.05$  level of significance, the data provides statistically significant evidence of the difference in the Median grades between the customers' ability to put signature and their educational qualification; and between the problems faced by the customers while opening the no-frill accounts and the period for maintaining the accounts.

#### **Interpretation of the Results Based on Mann-Whitney U Test**

As per the results of the test it is clear that customer's ability to affix signature to authenticate their transactions does not depend on the level of literacy / education. It is observed during the survey that number of customers of different age groups with zero literacy level have learnt putting their signature exclusively for these transactions. Especially this feature is observed more among senior citizens rather than youngsters. There is enough evidence to conclude that there is no connection between the problems faced by the customers while opening the no-frill accounts and the period for maintaining the accounts. While the problems faced by the customers while opening the no-frill accounts are same, the period for which the account is maintained depends on the various other factors such as availability of work for pay, economic requirements of the family, person's zeal / interest in saving, nature of treatment they receive from the BC of the villages; and his / her response to the problems faced by the account holders in the village and so on. Problems faced by the BCs and the customers: the specific problems faced by the BCs in both the banks and the various problems faced by the customers under both the banks are described below:

#### **Problems of the BCs- SBI**

- Not getting good response from the concerned bank officials for solving their problems such as internet connectivity. Problems of the customers-- SBI:

- No pass books are issued.
- Monetary limit set for the transactions often times cause problems in enjoying the banking facility available in the villages.
- Only limited services are introduced. More services such as loan repayment facility, opening joint accounts etc., need to be initiated as early as possible.

Problems of the BCs – Syndicate Bank:

- No response from some of the Branch Managers. Brokers from the same village are given more importance by the managers in some branches, where ₹. 800/- is collected for issuing pass books.
- No basic respect is accorded to BCs in some of the Bank branches for which they are working. Where brokers are involved BCs have no place to work for financial inclusion. Brokers still rule the implementation of financial inclusion as their kingdom.
- Brokers are still seen drawing the subsidies meant for the villagers.
- Problems of the customers-Syndicate Bank:
- Recurring deposit facility is absent
- ATM card is not being issued.
- Issue of pass book takes unusually long time
- More services need be introduced.
- Critical Success Factors:

These factors represent the most important parameters that contributed to the successful launching of banking services in the unbanked areas of the villages for bringing about inclusive growth.

### **BCs Being One among the Villagers and their Goodness**

This constituted the most critical factor for the success of the CSP in the villages. As the selected Business Correspondents belong to the same village, they are able to gain quick response from the villagers. If an outsider was brought into the village for the same purpose, whether similar results in the form of response from the villagers could be achieved or not, is the question to be answered only after experimentation.

### **Confidence of Villagers in the Selected BC**

During the investigation it was noticed that many villagers in these villages, opened the no-frill accounts because of their trust and confidence in the BC rather than their understanding of the services offered. It is also noticed during the study that majority of the villagers are not even aware that the CSP functioning in the village is a unit of the State Bank of India.

### **Zeal and Enthusiasm of the BCs**

It was further observed that the BCs in the selected villages are highly self-motivated and service-oriented

individuals. Interaction with them revealed that their sole aim is to render as much service as possible to their villagers for which they are ready to undergo any kind of trouble or face any problems what so ever.

### **Public Relation Maintenance Capacity of the BCs**

The capacity of the BCs in creating awareness and understanding among the villagers about the financial services launched and their future benefit to the villagers, is going a long way in motivating the villagers to participate in the Financial Inclusion plans of the RBI.

### **Villager's Difficulties with the Main Banks**

Some villager's have already experienced the difficulties involved in opening an account in the bank; getting loan sanctioned and release of the same; getting government subsidies released; getting the granted scholarships credited to their accounts, getting drafts made, transferring funds and so on. In most of the villages getting any work related to the bank meant loss of one or two working days. This understanding has made many elderly villagers quickly respond to the CSP services.

- Mitigation of the problems that the villagers faced hitherto regarding opening bank accounts, depositing and withdrawing going to far off places facing all odds like lack of transportation facility, loss of a working day and so on.
- Villagers spontaneous support for implementation of financial inclusion

## **RECOMMENDATIONS**

The suggestions offered by the Business Correspondents and the customers for improving the performance efficiency of the FI policy, are gathered and presented below:

From the BCs:

- Helping the BCs in solving the severe internet connectivity problems faced by them.
- Giving BCs the solution to “what to do next”? Many BCs are unable to understand what is to be done next, after opening the no-frill accounts for all the villagers in their allotted villages, which meant stagnation to their income.
- Showing a continuous source of income to BCs by leveraging their services to empower the villagers on one hand; and to fulfill the purpose of setting up of CSPs on the other, by adding more banking products and services to the CSPs through BCs.
- Based on the performance of the work assigned, a certain percentage of commission on each transaction relating to every added banking product and service can be given to each BC to assure continuity to their income.
- In some villages, recognition to these banking services is forth coming only because of the confidence of villagers in the good attitude of BCs. To support BCs and to make villagers understand that the CSPs are the direct units of the State Bank of India, frequent visits of the concerned bank officers to the villages is a must, which is missing right now.
- To achieve the dual goal of empowerment of villagers and the viable functioning of the CSPs, CSPs can be used for providing more banking products and services. Helping villagers engage in income-generating activities more

financial support needs to be given through CSPs, which in turn assures the support for CSPs workable functioning. This would increase the transaction rate of the CSPs besides enabling villagers in getting more banking services to their door step which would empower their lives.

- Allotment of a toll free number to clarify the doubts of BCs and for resolving the grievances of the customers.
- In cases where small business establishments of the villages are selected as BCs, not much attention is given to speeding up financial inclusion process as the BCs are busy with their own work.
- As the monetary limit set for daily withdrawals and deposits is a small amount, more customers are not seen visiting the CSPs for transactions.
- Outsourcing of BC management is causing more problems than direct selection of BCs.

From the Customers:

- Replacement of the present Voucher receipt for each transaction with the issue of regular passbook.
- Issue of ATM cards at least to those no-frill account holders who fulfill the basic requirement for the same.
- The money that the villagers get under the village employment guarantee scheme presently through the post offices be routed through the CSPs accounts in the villages.
- Provision should be made for recovering the SHGs loans through these accounts which is not done at present. SHG members have to visit the bank branches for repaying their loan involving cost, time and other inconveniences.
- All the utility bill payments also may be accepted through these accounts to avoid any scope of manipulations involved in direct cash collections by the concerned clerks. (Electricity bill payments are collected directly in cash)
- Right now the old age pensions are being disbursed to them in the form of cash by the village secretary. For any reason if any person is not available at the time of distribution he/she will not get back the amount. If this amount could be credited to these CSP accounts, all the hassles of the pensioners can be put an end to.
- CSP accounts may also be considered for banking products like sanctioning of small loans and their disbursements.
- Right now provision for opening of joint account is not there at the CSP. At least if a provision is made to open a joint account with a minor child, scholarships can be received to these accounts.
- Under the ICDS (Integrated Children's Development Society) Female children receive money at the rate of ` 5,000 per head. If this amount could be credited to these CSP joint account of parents with the child, many problems associated with direct cash receipt and payment can be avoided.
- More efforts may be made to increase the confidence of the workers on the stability of the CSPs; and that the CSPs are part of the main Bank's business. Assurance has to be given to the customers in the villages that whatever banking transaction takes place at CSP, it will simultaneously be done in the main bank and that it amounts to the villagers transacting directly with the bank.

- It is also suggested that loans may be given to the unemployed youth in the villages through the CSPs without any present security but based on their prospective income.
- Loans may be sanctioned based on the security of some certificates like NSCs or FDs or balances in the RD accounts through the CSPs.

## CONCLUSIONS

The study highlights that implementation of the policy towards achieving the cent percent Financial Inclusion is proceeding in the required direction as laid down by the RBI. In general the villagers expressed tremendous fulfillment over the governmental efforts for taking the banking and other financial services to their villages. The customers also expressed total satisfaction over employing one among them as the Business Correspondent for operating the CSPs. The study further reiterated that many villagers who responded to the banking services offered in their villages due to their trust and faith in the BCs during our previous research conducted a year back, now confirm that the BCs are only the representatives of the banks and that in the event of BC leaving the village for any reason, their deposits will still remain safe with the banks and that the banks will continue to provide services by appointing another BC. This reflects on the widening of awareness among the customers / account holders in the villages. The study also highlights that given the degree of acceptance of the financial services being provided in the villages, customers are just eager to receive more services at the BC point such as loan facility, repayment convenience, deposit and withdrawal facility without any monetary limit, etc. Finally the villagers wished for converting the CSPs into mini banks for getting all the banking products and services to the villages itself

### Further Scope of the Study

In this paper the effectiveness of the Financial Inclusion programme as is under implementation under the jurisdiction of two commercial banks has been studied by considering a sample 250 customers each from both the banks. The study can be further extended to the other villages under the same bank's jurisdiction or villages where other nationalized banks are involved, so as to have a more detailed analysis. Besides, the critical comparison between banks in providing this facility can also be done on similar lines from both demand and supply side

### ACKNOWLEDGEMENTS

The authors submit this work at the Lotus Feet of Bhagawan Sri Sathya Sai Baba whose invisible blessings and grace guided them in all their endeavours. The authors express their deep sense of gratitude to the Regional Manager, SBI, Smt. Ratna Kumari, and her team members involved in the implementation of Financial Inclusion Policy in Anantapur District, and to Shri Pattabhi, incharge of FI in the head office of the SBI, Karnataka; for encouraging us to take up this project with an assurance of supplying the required data along with other necessary support. Our deep gratitude is also due to Sri B. Narayana Swamy, Chief Councillor, FLCC -(Financial Literacy and Credit Councilling), Anantapur, for sparing his valuable time to educate the authors about the functioning of the policy of Financial Inclusion in the District of Anantapur besides giving us the necessary secondary data. Special thanks are due to Sri. Prof. K.L.A.P Sharma, Department of Statistics, Sri Krishna Devaraya University, Anantapur, for his excellent guidance in the selection and application of statistical techniques relating to all our research work.

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## APPENDICES

### Annexure

**Table 1: Kruskal-Wallis Test**

<b>Ranks</b>			
	<b>Reasons for Opening the Account- Syndicate Bank</b>	<b>N</b>	<b>Mean Rank</b>
Education- Syndicate Bank	1	17	135.65
	2	1	245.50
	3	1	200.50
	4	38	148.26
	5	172	124.48
	7	36	151.33
	<b>Total</b>	<b>265</b>	

<b>Test Statistics<sup>a,b</sup></b>	
	<b>Education-Syndicate SBI</b>
Chi-Square	10.117
Df	5
Asymp. Sig.	.072
a. Kruskal Wallis Test	
b. Grouping Variable: Reasons for opening account- Syn	

<b>Ranks</b>			
	<b>Reasons for Opening - SBI</b>	<b>N</b>	<b>Mean Rank</b>
Education-SBI	1	90	118.81
	2	5	37.00
	3	7	147.64
	4	20	101.65
	5	117	137.30
	6	4	149.50
	7	8	127.50
<b>Total</b>		<b>251</b>	

<b>Test Statistics<sup>a,b</sup></b>	
	<b>Education-SBI</b>
Chi-Square	15.530
Df	6
Asymp. Sig.	0.017
a. Kruskal Wallis Test	
b. Grouping Variable: Reasons for opening -SBI	

**Table 2: Kruskal-Wallis Test**

Ranks			
	Daily Income -SBI	N	Mean Rank
Education - SBI	1	157	126.21
	2	34	145.57
	3	7	172.79
	4	53	106.65
	<b>Total</b>	<b>251</b>	

Test Statistics	
	Education-SBI
Chi-Square	9.776
Df	3
Asymp. Sig.	.021
a. Kruskal Wallis Test	
b. Grouping Variable: Daily Income –SBI	

Kruskal-Wallis Test			
Ranks			
	Daily income -Syn	N	Mean Rank
Education Syn	1	246	128.13
	2	15	194.83
	3	1	155.50
	4	3	215.50
	<b>Total</b>	<b>265</b>	

Test Statistics	
	Education-SYN
Chi-Square	16.761
Df	3
Asymp. Sig.	.001
a. Kruskal Wallis Test	
b. Grouping Variable: Daily income –Syn	

**Table 3: Kruskal-Wallis Test**

Ranks			
	Age-Syndicate Bank	N	Mean Rank
Education-Syndicate Bank	1	38	188
	2	76	156.98
	3	85	113.09
	4	66	99.36
	<b>Total</b>	<b>265</b>	

Test Statistics <sup>a,b</sup>	
	Education-SBI
Chi-Square	53.217
Df	3
Asymp. Sig.	.000
a. Kruskal Wallis Test	
b. Grouping Variable: Age - Syndicate Bank	

Ranks			
	Age--SBI	N	Mean Rank
Education -SBI	1	22	173.23
	2	59	126.71
	3	94	131.93
	4	76	104.45
	Total	251	

Test Statistics <sup>a,b</sup>	
	Education-SBI
Chi-Square	17.789
Df	3
Asymp. Sig.	.000
a. Kruskal Wallis Test	
b. Grouping Variable: Age - SBI	

Table 4: Mann-Whitney Test

Ranks				
	Ability to Sign – Syndicate Bank	N	Mean Rank	Sum of Ranks
Education-Syndicate Bank	1	198	154.99	30689.00
	2	67	68	4556.00
	Total	265		

Test Statistics <sup>a</sup>	
	Education-Syndicate Bank
Mann-Whitney U	2278.00
Wilcoxon W	4556.00
Z	-8.689
Asymp. Sig. (2-tailed)	0
a. Grouping Variable: Able to sign-Syn	

Ranks				
	Signature--SBI	N	Mean Rank	Sum of Ranks
Education--SBI	1	215	140.90	30294.00
	2	36	37.00	1332.00
	Total	251		

Test Statistics <sup>a</sup>	
	Education-SBI
Mann-Whitney U	666.000
Wilcoxon W	1332
Z	-8.217
Asymp. Sig. (2-tailed)	0

**Table 5: Kruskal-Wallis Test**

Ranks				
	Occupation-SBI	N	Mean Rank	
Education--SBI	1	125	95.70	
	2	82	159.27	
	3	14	167.54	
	4	30	141.93	
	Total	251		

Test Statistics <sup>a,b</sup>	
	Education--SBI
Chi-Square	48.130
Df	3
Asymp. Sig.	.000

a. Kruskal Wallis Test b. Grouping Variable: occupation--SBI

Ranks				
	Occupation-Syn	N	Mean Rank	
Education-Syn	1	197	117.68	
	2	56	168.84	
	3	2	243.50	
	4	8	198.94	
	Total	263		

Test Statistics <sup>a,b</sup>	
	Education--Syn
Chi-Square	35.729
Df	3
Asymp. Sig.	.000

a. Kruskal Wallis Test  
b. Grouping Variable: Occupation--Syn

**Table 6: Mann-Whitney Test**

Ranks				
	Problems with Account Opening-Syn	N	Mean Rank	Sum of Ranks
Account period -Syn	1	7	128.64	900.50
	2	253	130.55	33029.50
	Total	260		

Test Statistics <sup>a</sup>	
	Account Period-Syn
Mann-Whitney U	872.500
Wilcoxon W	900.500
Z	-070
Asymp. Sig. (2-tailed)	.944

a. Grouping Variable: Problems with account opening-Syn

Ranks				
	Problems with Account Opening-SBI	N	Mean Rank	Sum of Ranks
Accoucount Period	1	31	106.77	3310.00
	2	220	128.71	28316.00
	<b>Total</b>	<b>251</b>		

Test Statistics <sup>a</sup>	
	Account Period - SBI
Mann-Whitney U	2814
Wilcoxon W	3310
Z	-1.634
Asymp. Sig.(2-tailed)	.102
a. Grouping Variable: Problem with account opening SBI	

Table 7: Kruskal-Wallis Test

Ranks				
	Reasons for- Opening-Account- Syn	N	Mean Rank	
Account period Syn	1	17	71.85	
	2	1	11.00	
	3	1	214.50	
	4	38	88.51	
	5	173	158.76	
	7	36	89.86	
	<b>Total</b>	<b>266</b>		

Test Statistics <sup>a,b</sup>	
	Account Period -Syn
Chi-Square	65.084
Df	5
Asymp. Sig.	.000
a. Kruskal Wallis Test	
b. Grouping Variable: reasons for opening account -Syn	

Ranks				
	Reasons for Opening SBI	N	Mean Rank	
Account Period SBI	1	90	157.96	
	2	5	86.3	
	3	7	165.57	
	4	20	114.95	
	5	117	102.06	
	6	4	143	
	7	8	125.88	
<b>Total</b>		<b>251</b>		

Test Statistics <sup>a,b</sup>	
Account Period-SBI	
Chi-Square	37.056
Df	6
Asymp. Sig.	.000
a. Kruskal Wallis Test	
b. Grouping Variable: Reasons for opening -SBI	

**Table 8: Kruskal-Wallis Test**

Ranks			
	Age Syn	N	Mean Rank
Account period Syn	1	38	132.46
	2	76	130.18
	3	85	135.88
	4	66	132.86
	Total	265	

Test Statistics <sup>a,b</sup>	
Account Period-Syn	
Chi-Square	0.253
Df	3
Asymp. Sig.	0.969
a. Kruskal Wallis Test	
b. Grouping Variable: Age-Syn	

Ranks			
	Age-SBI	N	Mean Rank
Account period - SBI	1	22	110.00
	2	59	105.36
	3	94	130.16
	4	76	141.51
	Total	251	

Test Statistics <sup>a,b</sup>	
Account Period SBI	
Chi-Square	10.349
Df	3
Asymp. Sig.	0.016
a. Kruskal Wallis Test	
b. Grouping Variable: Age-SBI	

**Table 9: Kruskal-Wallis Test**

Ranks			
	Reasons for Opening-SBI	N	Mean Rank
Age-SBI	1	90	142.82
	2	5	145.50
	3	7	118.79
	4	20	149
	5	117	108.25

	6	4	130.63
	7	8	130.63
<b>Total</b>	<b>251</b>		

Test Statistics <sup>a,b</sup>	
	Age -SBI
Chi-Square	15.793
Df	6
Asymp. Sig.	0.015
a. Kruskal Wallis Test	
b. Grouping Variable: Reasons for opening - SBI	

Ranks			
	Reasons for Opening Account-Syn	N	Mean Rank
Age—Syn	1	17	188.29
	2	1	19.50
	3	1	232.5
	4	38	122.41
	5	172	132.11
	7	36	122.72
	<b>Total</b>	<b>265</b>	

Test Statistics <sup>a,b</sup>	
	Age Syn
Chi-Square	15.268
Df	5
Asymp. Sig.	0.009
a. Kruskal Wallis Test	
b. Grouping Variable: reasons for opening account--Syn	

Table 10: Kruskal-Wallis Test

Ranks			
	Where Prior Period Saving-Syn	N	Mean Rank
General saving -Syn	1	34	125.15
	2	91	122.86
	3	7	121.50
	4	9	121.50
	5	13	131.04
	6	90	125.63
	7	4	121.50
<b>Total</b>		<b>248</b>	
Test Statistics <sup>a,b</sup>			
	General Saving -Syn		
Chi-Square	3.044		
Df	6		
Asymp. Sig.	0.803		
a. Kruskal Wallis Test			
b. Grouping Variable: where prior period saving-Syn			

Ranks			
	Where Prior Deposits Made - SBI	N	Mean Rank
General saving -SBI	1	55	125.32
	2	73	108.91
	3	7	93.5
	4	73	146.58
	5	15	118.5
	6	21	123.26
	7	6	135.17
	Total	250	

Test Statistics <sup>a,b</sup>	
	General Saving -SBI
Chi-Square	20.451
Df	6
Asymp. Sig.	0.002

a. Kruskal Wallis Test  
b. Grouping Variable: where prior deposits madeSBI

Table 11: Kruskal-Wallis Test

Ranks			
	Increase in Savings-Syn	N	Mean Rank
Zeal to save-Syn	1	179	125.50
	2	62	125.50
	3	9	125.50
	Total	250	

Test Statistics <sup>a,b</sup>	
	Zeal to Save--Syn
Chi-Square	.000
Df	2
Asymp. Sig.	1.000

a. Kruskal- Wallis Test  
b. Grouping Variable: Increase in savings-Syn

Ranks			
	Increase in Savings-SBI	N	Mean Rank
Zeal to save- SBI	1	63	128.44
	2	108	127.44
	3	67	120.50
	4	12	120.50
	Total	250	

Test Statistics <sup>a,b</sup>	
	Zeal to Save—SBI
Chi-Square	4.858
Df	3
Asymp. Sig.	0.182

a. Kruskal Wallis Test  
b. Grouping Variable: Increase in savings—SBI